



STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0285

MIKE MORROW
COMMISSIONER

**TESTIMONY FROM COMMISSIONER MIKE MORROW TO THE STATE FUNDING
BOARD THURSDAY JANUARY 13, 2011**

Re: The revenue estimating process in gubernatorial transition years.

January, which reflects December sales tax activity, is the largest sales tax collection month in the state's fiscal year. Therefore, it has the potential to greatly influence revised estimates for the current fiscal year and the base estimate for the following fiscal year.

The funding board recognized this potential long ago and in 1995 began delaying final action on the adoption of revenue ranges until February, in order to coincide with a gubernatorial transition year. The process that the board adopted was also taking into consideration that T.C.A. 9-4-5105 (b), extends the governor's transmittal of the budget document to the legislature from prior to February 1, to "prior to March 1" in those years. A historical chart of the board's actions in transition years since 1995 is attached.

In summary, the importance of delaying action on the adoption of revenue ranges until February is that January collections will include Christmas holiday sales activity that occurred in December. It will also include one additional month of franchise and excise tax collections. These three tax sources alone, (sales, franchise and excise tax), make up about 75% of our total state tax collections.

This additional month of tax collection activity will, in essence, provide the economist with a new base from which to project anticipated collections for this fiscal year and next.

We will have a very good feel as to what January collections will be in early February.

**State Funding Board Meetings and Adoption of Consensus Revenue Ranges
During Gubernatorial Transitions**

1995 Transition

State Funding Board met on	2/15 & 16/1994
State Funding Board met again to finalize estimates on	2/8/1995
State Funding Board memo dated	2/13/1995
1995-1996 Budget Document transmitted to Legislature	3/1/1995

1999 Transition (2nd Term)

State Funding Board met on	12/16/1998
State Funding Board met again to finalize estimates on	2/8/1999
State Funding Board memo dated	2/8/1999
1999-2000 Budget Document transmitted to Legislature	3/1/1999

2003 Transition

State Funding Board met on	12/12 & 13/2002
State Funding Board met again to finalize estimates on	2/10/2003
State Funding Board memo dated	2/26/2003
2003-2004 Budget Document transmitted to Legislature	3/10/2003

2007 Transition (2nd Term)

State Funding Board met on	12/15 & 19/2006
State Funding Board memo dated	12/19/2006
2007-2008 Budget Document transmitted to Legislature	2/20/2007